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GOVERNOR

STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

GLORIA J. JEFF  
DIRECTOR

August 2, 2005

**TO: TRANSIT AGENCIES AND CERTIFIED PUBLIC ACCOUNTANTS  
PERFORMING PUBLIC TRANSPORTATION AUDITS**

**SUBJECT: FY 2004 and FY 2005 Audit Information for June 30<sup>th</sup> Year Ends**

The Audit Guide dated April 1991, is the compliance program when auditing State and Section 5311 Operating Assistance funds. This letter is updated yearly and supplements the Audit Guide with annual percentages and other necessary information.

**I. Information Necessary to Calculate State Operating Assistance**

**A. Reimbursement Amount:**

There is a fixed amount of state operating funds available and the distribution percentage changes based on the statewide eligible expenses. The reimbursements are initially calculated based on budgeted expenses and then recalculated based on reconciled expenses. Total eligible operating expenses will be recalculated a second time based on audited financial information.

Based on the FY 2004 reconciled and FY 2005 budgeted distributions, nonurbanized areas and urbanized areas under 100,000 population received the following percentage of their eligible operating expenses:

FY 2004:	42.791519 percent based on reconciled
FY 2005:	38.437574 percent based on budget

Urbanized areas over 100,000 population received the following percentage of their eligible operating expenses:

FY 2004:	35.565549 percent based on reconciled
FY 2005:	32.438220 percent based on budget

**B. Statutory Cap:**

Nonurbanized areas and urbanized areas under 100,000 population can receive up to 60 percent of eligible operating expenses. Urbanized areas over 100,000 population can receive up to 50 percent of eligible operating expenses.

**C. Mandatory Floor:**

An agency must receive, at a minimum, the amount received for eligible operating

expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

## **II. Information Relating to Federal Funding and Reimbursement**

- A. Each funding source (Section 5307, Section 5311 and Section 3037) needs to be shown separately in the audit.
- B. For Section 5311 operating assistance, the nonurban eligible expense percentage is:
- FY 2004: 10.95 percent  
FY 2005: 12.40 percent
- C. The Catalog of Federal Domestic Assistance (CFDA) website is [www.cfda.gov](http://www.cfda.gov). CFDA numbers for federal programs are as follows:

20.505 for Section 5303  
20.504 for Section 5307  
20.500 for Section 5309  
20.513 for Section 5310  
20.509 for Section 5311  
20.515 for Section 5313  
20.516 for Section 3037

## **III. Information Relating to Association Dues**

- A. All expenses associated with lobbying are not eligible and should be backed out under 58005 Ineligible Lobbying Expense.
- B. If a transportation organization incurs lobbying expenses, a percentage of dues paid to that organization is not eligible and should be backed out under 55009 Ineligible Percent of Association Dues. The percentage of association dues ineligible for reimbursement under the State Operating Assistance program and the Section 5311 Operating Assistance program is as follows:

<u><b>Association</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>
MASSTrans	29.0 Percent	2.0 Percent
MPTA	7.4 Percent	6.9 Percent
APTA	16.0 Percent	11.0 Percent
CTAA	0.0 Percent	0.0 Percent

#### IV. Special Points

- A. For transit agencies that exceed \$500,000 or more in federal funds, a copy of its annual audit must be sent to both FTA and the Federal Audit Clearinghouse. Those addresses are:
- |   |   |
|---|---|
| Derek Davis, Transportation Program Specialist<br>Federal Transit Administration<br>200 W. Adams Street<br>Suite 300<br>Chicago, Illinois 60606 | Federal Audit Clearinghouse*<br>1201 East 10 <sup>th</sup> Street<br>Jeffersonville, IN 47132 |
|---|---|
- \*No contact person is necessary
- B. The expenditure information on Schedule 7 of the Audit Guide is used in MDOT's review of operating and capital contracts. Both federal and state funding should be included. This information on Schedule 7 should be consistent with the fixed assets and the revenues and expenses in the financial statements.
- C. PTD reviews and approves all cost allocation plan methodologies. To verify that the transit agency has an approved cost allocation plan, visit our website at: <http://www.michigan.gov/mdotptd>. In the "Resources" box, click on "Audit/Accounting Information." Then click on "cost allocation listing." This listing is updated periodically. It is possible that a transit agency's cost allocation plan was approved since the last listing was posted. To determine if a plan was approved since the last update, or to get a copy of the approved methodology, contact your project manager.
- D. Clearly identify all grants in the financial statements and supplemental information. All grants should have the contract and authorization number, as well as a descriptive title. If a grant amount is included in total eligible expenses and then must be backed out as ineligible, the grant should be identified on items such as the revenue schedules, the Schedule of Expenses by Contract and General Operations, and the Ineligible Expense Schedule. Please note that any audit that fails to identify all grants on all of the applicable schedules will not be accepted.
- E. Please use the Local Public Transit Revenue and Expense Manuals dated October 1, 2003 through September 30, 2004, and October 1, 2004 through September 30, 2005. These manuals can be found at our website at: <http://www.michigan.gov/mdotptd>. To access this information, find the "Resources" box and click on "Audit/Accounting Information."
- F. The audit guide can be purchased from the Michigan Department of Treasury. The order form is located at [www.michigan.gov/treasury](http://www.michigan.gov/treasury). To access this information, look on the left-hand side of the computer screen and click on "Local Government." Find the "Forms/Instructions" box and click on "[click here for](#): Local Government Forms and Instructions." In the "Account Manual Form" box, click on "2687, Publications Invoice."

The audit guide is item number 14, "Transportation Authorities and Agencies' on the order form.

## **V. References**

Public transportation programs may have specific terms, conditions and restrictions related to each individual program. Some materials listed below will be of assistance and should be followed.

### **A. Circulars/Guidance**

FTA Circular 9040.1E Nonurbanized area Formula Program Guidance and Grant Application Instructions [http://www.fta.dot.gov/library/policy/circ9040\\_1E/9040toc.htm](http://www.fta.dot.gov/library/policy/circ9040_1E/9040toc.htm)

FTA Circular 9070.1E The Elderly and Persons with Disabilities Program Guidance and Application Instructions [http://www.fta.dot.gov/library/policy/9070\\_1E/toc.htm](http://www.fta.dot.gov/library/policy/9070_1E/toc.htm)

FTA Circular 9300.1A Capital Program: Grant Application Instructions  
<http://www.fta.dot.gov/library/policy/9300.1A/toc.htm>

FTA Circular 4702.1 Title VI Program Guidelines for Federal Transit Administration Recipients - Contact FTA for a copy.

FTA Circular 4704.1 Equal Employment Opportunities Program Guidelines for Grant Recipients - Contact FTA for a copy.

FTA Circular 4220.1D Third Party Contracting Requirements  
<http://www.fta.dot.gov/library/policy/tpcr.html>

FTA Circular 5010.1C Grant Management Guidelines  
<http://www.fta.dot.gov/library/policy/5010.1C/cover.htm>

FTA Circular 9030.1C Urbanized Area Formula Program: Grant Application Instructions  
<http://www.fta.dot.gov/library/policy/9030.1C/toc.htm>

DOT/DHHS/DOL Guidance Use of TANF, WtW and Job Access Funds for Transportation  
<http://www.fta.dot.gov/wtw/uoft.html>

Best Practices Procurement Manual <http://www.fta.dot.gov/library/admin/BPPM/> Safety and Security <http://transit-safety.volpe.dot.gov/default.asp>

### **B. Federal Register Notices**

67 Federal Register 67 (April 8, 2002) - Job Access and Reverse Commute Program Grants  
<http://www.fta.dot.gov/library/legal/federalregister/2002/fr4802a.html>

Federal Register 49 USC Section 5333(b) - Department of Labor, Office of Labor Management Programs [http://www.fta.dot.gov/library/policy/5333\\_b.html](http://www.fta.dot.gov/library/policy/5333_b.html)

Federal Register 49 CFR Part 655 - Drug & Alcohol  
[http://www.access.gpo.gov/nara/cfr/waisidx\\_01/49cfr655\\_01.html](http://www.access.gpo.gov/nara/cfr/waisidx_01/49cfr655_01.html)

Federal Register 49 CFR Part 40 - DOT wide regs Drug & Alcohol  
[http://www.access.gpo.gov/nara/cfr/waisidx\\_01/49cfr40\\_01.html](http://www.access.gpo.gov/nara/cfr/waisidx_01/49cfr40_01.html)

Federal Register 49 CFR Parts 23 and 26 - Participation by Disadvantaged Business Enterprises in Department of Transportation Programs  
<http://www.fta.dot.gov/library/legal/frdot2299.htm>

Federal Register 49 CFR Parts 27, 37 and 38 - Transportation for Individuals with Disabilities  
<http://www.fta.dot.gov/ada/adaregs.html>

Federal Register 49 CFR 661.13, 661.6 and 661.7 - Buy America Requirements  
<http://www.fta.dot.gov/library/legal/49661.htm>

Federal Register - Annual List of Certifications and Assurances for Federal Transit Administration Grants and Cooperative Agreements; Notice  
<http://www.fta.dot.gov/library/legal/ca.htm>

C. Other Useful Websites

Rural Transit Assistance Program <http://www.fta.dot.gov/research/implement/rtap/rtap.htm>

Department of Labor, Division of Statutory Programs  
<http://www.dol.gov/dol/esa/public/regs/compliance/olms/dsppage.htm>

Please contact Trish D'Itri, Auditing Specialist at (517) 335-2535 or by email at [ditrit@michigan.gov](mailto:ditrit@michigan.gov). with questions or if you need website information mailed to you.

Sincerely,

Sharon L. Edgar, Administrator  
Passenger Transportation Division  
Multi-Modal Transportation Services Bureau